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STATE FOR WHA/BSC, INL/LP (JIM HIDES)  
EB/IFD/OIA  
STATE PASS TO USAID FOR LAC/AA  
STATE PASS TO USTR FOR LYANG  
NSC FOR SUE CRONIN  
TREASURY FOR OSIA MAUREEN WAFER  
TREASURY FOR OTA WARFIELD, VAN KOCH, MILLAR  
COMMERCE FOR ITA SARAH COOK  
SOUTHCOM FOR POLAD

E.O. 12958: N/A  
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SUBJECT: PARAGUAY POLITICAL AND ECONOMIC UPDATE MARCH 3 -  
9, 2007

11. (U) SUMMARY: Action Request, see para 2.

- POTUS and the Mayor
- Barakat Kidnapped
- Better Health with Better Information
- Journalist Attacked by Log Traffickers
- Afro-Paraguayans Release Report

POTUS AND THE MAYOR

12. (U) POTUS, March 5 speech on the Americas was widely covered in the local media. The POTUS mention of Villarrica City and its recently-elected mayor as a model of transparency and good-governance gained positive attention. Villarrica is one of the best examples of many municipalities in Paraguay that have used USAID assistance to improve transparency and governance. USAID assistance to Paraguay has helped over 50 municipalities increase accountability to their citizens through transparent budgeting, improvements in financial software, setting internal controls, and in some cases, removal of corrupt public officials from office. In 2005, targeted municipalities increased property and commercial tax collection by 104 percent in total dollar terms (220% average increase per municipality), resulting in an additional USD 2 million in revenue.

BARAKAT KIDNAPPED

13. (SBU) Muhammad Fayez Barakat was reported to have been kidnapped March 6 in Foz do Iguazu, Brazil. The vehicle Barakat was driving that evening was found abandoned in Ciudad del Este, Paraguay. It was reported that family members initially received ransom requests of USD 3 million dollars. Paraguayan prosecutors and police are currently investigating the matter. It is reported that negotiations with the kidnappers has led to the ransom being lowered to USD 2 million dollars. Rumors regarding those responsible have shifted from local criminal elements to members of the Lebanese community in the tri-border area or foreign intelligence services, including the USG. (NOTE: The US Dept of Treasury designated Muhammad Fayez Barakat as a Specially

Designated Global Terrorist December 6, 2006, for his links to the Hizballah financial network in the tri-border area. End Note). This is the third kidnapping in two weeks in the tri-border area, but it is unknown if all three have been carried out by the same group. Local investigators suspect that the kidnappings could be the work of a gang of known criminals operating in the area. RSO septel to follow.

#### BETTER HEALTH WITH BETTER INFORMATION

¶4. (U) The Minister of Health approved an executive resolution creating a national program for strengthening health information systems. This decision will establish better health data that is cross referenced, and made more accessible at all levels of government. Currently, there are 65 different health data sub-systems. Some of these function and others don't and much of the data collected is duplicative. USAID/Paraguay provided technical assistance to help the Minister finalize the resolution and will assist in its implementation. The Pan-American Health Organization (PAHO), as part of a regional initiative supported by USAID/LAC, is also providing assistance to this effort. The goal is to integrate health information on a sector wide basis in Paraguay.

#### JOURNALIST ATTACKED BY LOG TRAFFICKERS

¶5. (U) Alberto Nunez, a journalist for Cronica Newspaper, was attacked by 12 illegal log traffickers March 4 in Capiibary, San Pedro Department. The traffickers beat Nunez and threatened his life in the Capiibary National Forest Reserve for taking photographs. (NOTE: Paraguay has a long history of human rights violations against journalists. In addition, the deforestation in this region, as well as the rest of the

country, has been allowed to continue without little interference from government authorities. End Note). Vicente Paez, the Deputy General Secretary for the Paraguayan Journalists Union (SPP) and journalist for the La Nacion newspaper, noted that they are keeping a watchful eye on this case.

#### AFRO-PARAGUAYANS RELEASE REPORT

¶6. (U) The Kamba Cua Afro-Paraguayan Association (AAPKC) released a preliminary census report on Afro-Paraguayan descendents March 9 at the Paraguayan-American Cultural Center (CCPA). The report identified slightly more than 8,000 Afro-Paraguayans with most living in Kamba Cua, Central Department; Kamba Kokue, Paraguari Department; and Emboscada, Cordillera Department. The AAPKC was founded in 1999 and advocates for the rights of Afro-Paraguayans against discrimination in health, jobs, and education. Director Jose Medina told PolOff that AAPKC intends to get more politically involved to promote democracy and eradication of hunger and poverty.

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